



CHEMONICS INTERNATIONAL INC.



## NICARAGUA: ECONOMIC REFORM MATRIX

IMPROVING THE BUSINESS AND INVESTMENT CLIMATE  
AND IMPLEMENTING ECONOMIC REFORMS IN NICARAGUA UNDER THE  
GENERAL BUSINESS TRADE AND INVESTMENT  
INDEFINITE QUANTITY CONTRACT (GBTI IQC) No. PCE-I-00-98-00015-00, TO 16

February 6, 2004

## Nicaragua: Reform Matrix I

### Key Institutional Reforms to Administer CAFTA

Chemonics' team met with key government officials involved with CAFTA negotiations, including the Director of International Trade for the Ministry of Trade, Industry and Development (MIFIC), to assess needed institutional reforms to successfully administer CAFTA. From the outset, the GON stated that CAFTA administration will represent a serious challenge to Nicaragua given (1) the lack of resources to hire new staff, (2) the lack of experience in administering any TLC agreement, (3) the numerous inter-institutional changes needed, and (4) the cumbersome coordinating effort that CAFTA administration will entail. While no official matrix exists on the numerous changes required, an overview of the most obvious and important institutional adjustments is mentioned below.

#### 1. Changes on the International Trade Institutional Framework:

- A. *Quota Administration System.* Negotiated quotas for peanuts, cheese, textile, meat and sugar will have to be administrated by the GON; however, the MIFIC has no system at this time. To this end, a proposal will be prepared and presented by June 2004 to establish a new "Quota Administration Office" within MIFIC. The GON is under pressure from producer groups as to what procedure will be used to administer the quotas. In the case of sugar, few producers are involved and the sugar sector enjoys strong organization; it is expected that this sector will make a proposal on how to administer the sugar quota.
- B. *Environment and Trade.* Nicaragua is inexperienced in linking environmental concerns to trade. CAFTA's environmental chapter commits the GON to periodic reports on environment and trade issues. To adhere to this chapter, MIFIC and the Ministry of the Environment and Natural Resources (MARENA) will have to strengthen their technical capability. MARENA has opened a new office headed by Maria Antonieta Rivas, CAFTA's negotiator for environmental issues. A similar office is needed at MIFIC to guarantee full coverage and prompt reporting.
- C. *Sanitary and Phyto-Sanitary Issues.* SPS issues are important for successful administration of CAFTA, both to ensure that Nicaraguan's export products are not subject to unfair non-tariff barriers and that the country is protected from unacceptable risks from the import of vegetable and animal products. A new office to deal with SPS issues will have to be established in coordination with the Ministry of Agriculture, Livestock, and Forestry (MAGFOR). This office is also key in helping the country focus its efforts on the supply chain support system dealing with accreditation, permits, certification, quality assurance, and others.
- D. *Production of Generic Medicine.* In coordination with the Ministry of Health (MINSa), MIFIC has to open an office to handle trade and production of generic medicines in Nicaragua.

- E. *Intellectual Property.* While Nicaragua has made significant advances in the implementation of modern intellectual property legislation, a specialized office on this subject will be required to properly follow up with this area of trade.
- F. *Labor and Trade.* MIFIC will have to establish a strong alliance with the Ministry of Labor (MITRAB) in order to fulfill the commitments stated under the CAFTA labor chapter. The GON is committed to submitting yearly reports to assure country compliance with (1) labor rights, (2) child labor, and (3) labor association rights conditions. One important obstacle to this chapter and its successful implementation comes from MITRAB's rather conservative position on recognizing labor unions' rights. Contrary to the experience of other countries in the region, Nicaragua doesn't have a tri-partite system including the GON, the labor unions, and the private sector to ventilate labor-business issues. A proposal to establish a Labor Institute that hosted such a tri-partite system was presented during the negotiation process and received the support from both the United States' negotiating side and MIFIC; but it was strongly rejected by MITRAB. Serious coordinating effort is needed between MIFIC and MITRAB on this issue before the country can comply with the commitments included in the labor chapter. Perhaps a higher directive from the Presidency will be needed before the appropriate mechanisms can be established.

## **2. Controversy Resolution Mechanism**

During the meeting, MIFIC admitted that, until last year, the ministry was not providing any support to producer groups involved in any type of trade-related controversy with other countries. Last year, several significant controversial trade issues erupted, which were impossible for the GON to ignore. Unlike a year ago, which passed without issue, this year MIFIC is involved in four controversial trade cases including: (1) a beef case against Honduras, (2) a beans case against Mexico in the WTO, (3) a beans and poultry case against the Dominican Republic, and (4) together with Honduras, a cigarette suit against the Dominican Republic. Other potential cases include a meat case against Mexico and a beans case against Costa Rica. These cases have stated the obvious need for a specialized office within MIFIC to deal with resolution of disputes. It takes from one to several years to prepare a case, using very specialized technical skills in international trade law, anti-dumping, trade conflict resolution, and others. A trade controversy resolution office is needed to provide the specialized technical and legal assistance that producer groups need to defend their interests both in Nicaragua and in other trading partnerships.

## **3. Outreach and Participation**

One relevant aspect of the CAFTA's negotiation process was the successful outreach and participation process that MIFIC established under the "CAFTA Consultation Forum." Through this outreach model the GON generated an active participation of the private sector, labor organizations, and the broader civil society groups. In the end, Nicaragua emerged as the country with the strongest support of its private sector in the negotiation process. This participation process was also critical to dismiss undeserved criticisms of CAFTA coming from groups that traditionally oppose globalization and trade liberalization.

CAFTA requires that broad outreach programs be in place to guarantee broad participation of the society in the implementation of the agreement, especially under the environmental and labor chapters. Moreover, the successful experience under the “CAFTA Consultation Forum” has generated high expectations among groups who want to continue their participation in implementing the agreement. Accordingly, an evaluation of the forum will take place in the next couple of months to explore the best outreach mechanisms to promote and guarantee broad participation. Given the multiple dimensions required of the participatory process and the need to establish a permanent dialogue between the GON and the civil society on trade, environment, and labor issues, it may no longer be appropriate to host this mechanism within the International Trade Office at MIFIC or even within MIFIC at all. Another issue to be examined is whether the topics for discussion will be grouped by products (as it was during the CAFTA negotiation) or by another more efficient mechanism more conducive to competitiveness and growth. One important aspect of any proposed outreach mechanism is that it should involve the consumer and consumer’s protection groups as key participants.

#### **4. Concluding Remarks**

The multi-dimensional and multi-institutional coordinating systems that need to be established during 2004 for Nicaragua to effectively administer CAFTA poses a serious challenge to Nicaragua. El Salvador has already hired a team of 20 professionals to establish controls and administration mechanisms for CAFTA. In contrast, the MIFIC minister has informed his staff that there will be no new hiring during 2004 and that perhaps a small team can be added in 2005, due to budgetary constraints. It is estimated that at least 10 new professionals are needed for Nicaragua to manage administration of the CAFTA agreement. A failure to perform institutional reforms could not only hinder the country’s possibility to take full advantage of the new economic opportunities resulting from CAFTA, but could also result in costly penalties to Nicaragua. It is critical for the GON to understand the importance of these institutional adjustments and coordinating processes, and the need to provide all the support required by the reform process.

**NICARAGUA: MATRIX-II**  
**POLICY MATRIX: IMPROVING THE BUSINESS AND INVESTMENT CLIMATE IN NICARAGUA—INSTITUTIONAL REFORM**

Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
1. Logistics Systems						
LEGAL FRAME	1.1	Improve Feasibility of a Deep water port in Nicaragua's Atlantic Coast (Monkey Point)	Initiate a promotional program with shipping and transportation agencies to increase transport services between El Rama and Nicaragua's main exports destinations	12 months	Still at a concept level	MIFIC/CE/EPN
	1.2	Regulate multimode Transportation System – Through the establishment of a Sound Legal frame	Feasibility study	12 months	Still at a concept level	EPN
			Law first draft	6 months		MTI/EPN
			Law approval	6 months		Presid/AN
	1.3	Increase Private Sector Participation in Logistics and Transportation— Through a new Port Regulation Law	Law first draft	6 months		MTI/EPN
			Law approval	6 months		Presid/AN
	1.4	To have a logistics system that can reduce cost and time of transactions	Make a diagnosis and develop an implementation plan	6 months	CARANA CORP is conducting an initial study through USAID	MTI

Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
STRENGTHEN THE LOGISTICS CHAIN	1.5	Promote the development of a strong private supply sector for services and inputs	Promote the creation of companies that provide competitive supplies and services for each cluster	24 months	Idea	INPYME
		Improve the flow of information to private companies and other stakeholders	Create an information system that provides timely information to enterprises, suppliers and service providers	6 months	Negotiation with ONUDI	INPYM E/ CEI/IDR
			Provide training to strengthen existing import companies	24 months	Idea	INPYM E/ CEI/IDR
	1.6	Improve the flow of information and technology transfer to private export companies	Prepare a guide for brokers and international buyers	6 months	Pilot program under way	INPYM E/ CEI/IDR
			Create an information network for exporters	18 months	Idea	INPYM E/ CEI/IDR
			Promote the creation of Export Management Firms or local export brokers	24 months	Pilot program under way	INPYM E/ CEI/IDR
			Transfer methodology to existing export companies	18 months	Accumulated experience	INPYM E/ CEI/IDR
			Identify new systems of packing and loading— Promote product presentation	18 months	Pilot program under way	INPYM E/ CEI/IDR
FREE TRADE ZONES	1.7	Improve service and control of free zone enterprises	Establish the specialized unit that will attend the Free Zone Regime at the Customs Direction with adequate coordination from MAG-FOR, MINSA and other institutions	6 months	Ongoing effort	DGSA/ DGI

Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
	1.8	Promote the free zone regime and improve the legal framework to attract new enterprises	Increase by 300 square meters the industrial space offer - <b>Motivate local private sector to invest in industry space in Nicaragua</b>	36 months	Ongoing	Production Cabinet
			Generate 40,000 jobs and allocate 40 new companies - <b>Define and implement an investment promotion strategy</b> - <b>Identify and obtain new credit lines to finance FTZs in Nicaragua</b>	12 months	Ongoing	Production Cabinet
			Modernization of free trade zone legislation		At concept stage	MIFIC/ CZF
2. Training and Capacitation						
TECHNICAL TRAINING	2.1	Improve businesses' productivity	Enhance private investment to establish training centers in areas where clusters are concentrated		At concept stage	INATEC MIFIC
			Promote the creation of training certification entities that can certify abilities obtained through training centers		At concept stage	MITRA B, INATEC , INPYM E INTA
			Identify, classify and evaluate technicals and professionals that can offer training services and technical assistance		INPYME and IDR are promoting this kind of activities	INPYME, IDR, INTA, MAGFOR
TRAINING IN MANUFACTURE SECTOR	2.2	Improve competitiveness of manufacturing sector	Productive manufacturing training development		At concept stage	ANITEC , MIFIC, INATEC
			Improve and strengthening of manufacturing training offer in the country		At concept stage	ANITEC , MIFIC, INATEC

Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
3. Administrative Simplification – Internal Trade						
LEGAL FRAME	3.1	Improve the Policy Reform Formulation and Law elaboration process	Conduct an analysis of the current policy formulation and law elaboration process—especially those laws related to business development and investment.	6 months	At a concept level	MIFIC/ Presidency
			Provide detail recommendations on options to improve the reform formulation process		At a concept level	MIFIC/Presidency
			Strenghten the policy consultation process		At a concept level	
			Conduct training seminars and workshops		At a concept level	
ENTERPRISE DEVELOPMENT	3.2	To facilitate Enterprise Development and Investment in Nlcaragua	Modernization of the Enterprise's basic registration system	2004 - 2006	Actions have been identified	MIFIC, CSJ, ALMA
			Establish Customer Service Centers (CSC): Tourism, MIGOB, inputs, etc.			
			Create coordination/communication checanisms between the CSC and the Local and Central Governments	2004 - 2005	Actions have been identified and documented	
			Formulation of appropriate environmental norms.			
			Review of the Immigration Law			
			Review of Comercial Code and elaboration of a new Comercial Society law			
			Revision and approval of the Simplified Investment Procedures law			
			Modernization of the Intellectual Property Registry.			



Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
ENTERPRISE OPERATION AND PERFORMANCE	3.3	Improve enterprise competitiveness through the Simplified Procedure System – Reduce transaction cost at least 20%	Proposal to Simplify and/or eliminate procedures	2004 - 2006		<i>MIFIC, MINSA, CSJ, DGI</i>
			Access to incentives and fiscal benefits			
			Evaluation and strengthening of the Simplified Procedure Window			
			Modify the Notary law			
			Unified Payment, Cost-benefit analysis			
			Review the institutional legal frame associated with the Nicaragua's Quality System			
INFORMATION SYSTEMS	3.4	Provide the investors timely official information to improve the decision making process	Create an inter-connected information system among the various institutions	2004 - 2006		<i>MIFIC, CONACYT, BCN, INEC</i>
			Document processes, elaboration of Information guides and catalogues about GON services			
			Edition of the Investors', Importers' and Exporters' Guides.			
LOCAL GOVERNMENTS	3.5	Improve Local Government Institutional Capacity—through administrative procedures simplification	Implement a municipal institutional strengthening program—starting with 7 municipalities	2004 - 2006		<i>AMUNIC, GTZ, BM</i>
			Assessment of municipal services costs—base line			
			Reengineering			
			General information system			
CUSTOMER/ CITIZEN	3.6	Create a new customer service culture within the public servants	Issue a Presidential Decree on Customer Service Culture of public servants	2004 - 2006		<i>MIFIC, MHCP</i>
			Increase On-line procedures			

Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
			Train public servants on customers and citizens services provision			
			Create a certification process for public institutions			
			Conduct public opinion surveys			
4. Administrative Simplifications—External Trade						
LEGAL FRAME	4.1	Simplification of the Export Legal framework and Improved functioning of the Export Window	Export procedure simplification reform	2004 - 2006		CNPE, MIFIC, others
			By-law of law 290 (for MIFIC, MAGFOR, MARENA, MINSA, MHCP)			
			CAUCA law			
			Sanitary Permits (vegetal and animal)			
			MINSA (Law of phamacology and medicines, food inocuity law and others sanitary laws)			
			By-laws for the fiscal equilaty law			
			By-laws for the fishery law			
			By-laws for the forestry law			
TECHNOLOGY	4.2	Reduce costs to exporter on a continuous basis— 5 min. Max per procedure	Authomatization of export porcedures— CETREX		12 months to completion	CETREX
		Provide Real time information to exporters, and eliminate the custom agents	Automatization of custom offices		50 % completion	MIFIC, CNPE, DGA
		Reduce cost to the GON and eliminate redundant procedures	Utilization of electronic communication which can be shared with different public institutions (Database, operatons, e-government)			MIFIC, Presid.

Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
		Time reduction to load inspections, improve the GON controls systems	Instaleion of Scanners at the different custom offices			DGA
PROCESS MODERNIZA-TION AND INSTITUTIONAL COORDINATION	4.3	Reduce time and costs to the export sector and increase sinergy among the various public institutions	Redefinir e implantar el concepto de ventanilla unica de exportaciones (decreto 3094)	2004-2006	30 % completion on average	MIFIC AND HTE INVOLVED INSTITUTIONS
			Sustitution of the export-site pre-inspection for inspections to the productive process, providing HACCP certification to export houses and conducting random inspection visits			
			Training and empowerment of the Cuarentine Unit			
			Traing for DGA, MAGFOR, MINSA, INAFOR in facilitating procedures for competitiveness			
			Training on custom verification to involved institutions			
			Develop and implement an import and free trade zone re-export facilitation and control system			
			Facilitate the temporary import admition process through technical norms			
			Broadening the function of CETREX so it can also provide the CITE and MINSA permits			



Policy Area	No	Goal	Action	Time Frame	Status	Coordinator
<b>5. Integrated Quality System</b>						
METROLOGICAL INFRASTRUC- TURE	5.1	Establish a regulatory framework and homogenize quality integration system framework with international systems	Review and reform institutional framework Review laws 219 and 225	2004		JBC/MLS
	5.2	Guarantee participation of international organisms and define budget	Work on financing	2004		MIFIC
COMPETITION	5.3	To establish a competition policy and a regulatory framework	Drafting of the competition law	2004		MIFIC, AN
			Approval of the law			
			Creation of a competition agency			
CONSUMERS	5.4	Establish a consumers' policy and make markets to be more efficient and competitive	Improve consumers' protection law and strengthen consumers associations	2004		MIFIC, MECD
			Include consumption issues in school curriculum			
			Extend decentralized systems to six different municipalities			

**Nicaragua: Matrix-III**  
**POLICY MATRIX: POLICY AND INSTITUTIONAL REFORMS TO SUPPORT CLUSTERS DEVELOPMENT**

Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
DAIRY	6.1	Simplify import and export requirements for cattle, machinery and equipment	Minimize customs processes and proceedings	2004		DGA/MIFI C, MINSA
	6.2	Create incentives for export and investment	Design a plan for market and investment incentives	2004-05		DGI, MIFIC
	6.3	Strengthen cluster strategies and develop regional clusters	Work on financing for training and assistance	2004-05		MIFIC, ONUDI
BEEF	6.4	Homogenize trade tariffs throughout Central America	Conduct studies on regional tariffs	2004		MIFIC, MAG- FOR, Private Sector
	6.5	Strengthen trade negotiations by increasing participation from private sector	Promote private sector involvement in policy formulation, discussion, and implementation	2004-07		MIFIC, MAG- FOR, MINREX, Private Sector
Policy Area	No.	Goal	Action	Time Frame	Status	Coordinator
FORESTRY	6.6	Define policies for forestry exploitation concessions in autonomous regions	Review the forestry law	2004		MAG-FOR, CNF, INAFOR, Cluster Commission

	6.7	Develop a strategy to consolidate the furniture cluster	Strengthen related organizations and associations	2004-06		MAG-FOR, CNF, INAFOR, Cluster Commission
	6.8	Establish an investment fund	Conduct a Study on the requirements needed to establish the forestry investment fund	2004		MAG-FOR, INAFOR, CNF, MARENA, INIFOM
	6.9	Creation of an investment attraction program	Conduct a Study for establishment of an investment attraction program for forestry	2005-06		ProNicaragua, CNF, INAFOR, Cluster Commission
SHRIMP	6.10	Review export incentives	Elaborate a study of current exports	2004		CEI, MIFIC, ADPESCA
	6.11	Improve the legal framework for fisheries and aquaculture	Drafting and approval of the fisheries and aquaculture law	2004		MIFIC, ADPESCA, MARENA, Cluster Commission
<b>Policy Area</b>	<b>No.</b>	<b>Goal</b>	<b>Action</b>	<b>Time Frame</b>	<b>Status</b>	<b>Coordinator</b>
SHRIMP	6.12	National and international product promotion	Invite potential buyers and organize business meetings between national producers and international buyers.	2005		ANDA, ADPE SCA, CEI, Cluster Commi
	6.13	Bring international companies as raw material suppliers	Feasibility study	2004		ProNicaragua, MIFIC, Cluster Commi ssion
	6.14	Strengthen associations related to this field	Institutional support	2004-05		ADPESCA, INPYME, Cluster Commis

	6.15	Enhance business opportunities between suppliers and producers	Institutional support	2004		ADPESCA, INPYME, MIFIC, Cluster Commission
MANUFACTURE	6.16	Elaborate a medium term strategy	Implementation of the study	2004		PROCOMPE, CNZF, MITRAB, Cluster Commission, MIFIC, CPC, ProNicaragua, ANITEC
	6.17	Improvement of the legal framework	Drafting and Approval of the new free trade zone law	2004		
	6.18	Attract new manufacturing enterprises	Promotional campaign and coordination among institutions	2004-06		
	6.19	Strengthening MITRAB's capabilities to address labor issues	Training in coordination with private sector and labor organizations	2004-05		PROCOMPE, CNZF, MITRAB, Cluster Commission
	6.20	Active participation in trade negotiations	Technical assistance, lobbying, trips	2004-06		CZF, MIFIC, ANITEC



**NICARAGUA: MATRIX-IV**  
**POLICY MATRIX: GOVERNMENT REFORM STRATEGY AND PROGRESS BENCHMARKS**  
**(HIGHLIGHTED MEASURES ARE PROPOSED PRIOR ACTIONS FOR PRSC I AND LENDING TRIGGERS FOR PRSC II)**

ACTIONS AND PROGRESS BENCHMARKS								Lead Agency
Issue	No.	IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003) *	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004) *	PRSC II (30 May 2005) *	Outcomes / Results		
1. BASIC PREMISES: MACROECONOMIC STABILITY AND PROTECTING POVERTY EXPENDITURES								
PRSC Objective: Protect poverty reduction expenditure, while maintaining macroeconomic stability				Overall Outcome: 1. Proportion of people living in extreme poverty decreases from 15.1% in 2001 to 14.3% in 2005 2. Proportion of poverty-reducing expenditures in relation to GDP increases from 10% in 2002 to 11.6% in 2005. 3. Fiscal deficit as percentage of GDP decreases from 10.5% in 2002 to 6.3% in 2005. 4. Total public debt as percentage of GDP decreases from 206% in 2002 to 116% in 2005.				
Need to increase and protect poverty-related public expenditures to minimize impact on the poor in the event of fiscal shocks.	1.1		National Assembly has approved a budget for 2004 that is consistent with poverty reduction expenditures of the non-financial public sector of at least 11.4% of GDP. <sup>1</sup>	National Assembly has approved a budget for 2005 that is consistent with poverty reduction expenditures of the non-financial public sector of at least 11.6% of GDP.		Public resources devoted to poverty reduction have increased from 10% of GDP in 2002 to 11.6% of GDP in 2005.	MHCP	
	1.2			Execution of poverty reduction expenditures of the non financial public sector in 2003 represented at least 11% of GDP.	Execution of poverty reduction expenditures of the non financial public sector in 2004 represented at least 11.4% of GDP.		MHCP	

\* Deadline for fulfillment of prior action

<sup>1</sup> Bolded measures will serve as triggers for the disbursement of the loan.

Issue	No.	ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
Need to maintain fiscal discipline and decrease internal debt service.	1.3	<b>Revised Tax Code.</b>  (i) Submission to the Assembly (End-2003)  (ii) Approved by the Assembly (End-March 2004)	Maintained adequate macroeconomic framework.	<i>Maintained adequate macroeconomic framework.</i>	<i>Maintained adequate macroeconomic framework.</i>	Combined public sector deficit (before grants) as a share of GDP has decreased from 10.5% in 2002 to 6.3% in 2005	Economic Cabinet
	1.4	<b>STRENGTHEN TAX ADMINISTRATION THROUGH:</b>  (I) ADOPTION OF AN ACTION PLAN FOR DGA (CUSTOM) FOR 2004-06 (END-MARCH 2004)  (II) ADOPTION BY THE DGI OF A 2004-06 ACTION PLAN (END-2003)  (III) STRENGTHEN THE TAX OFFICE'S LARGE TAXPAYERS UNIT (MARCH 2004)  (IV) PRESENT A THREE YEAR STRATEGIC IT PLAN FOR DGI (SEPT 2004)					MHCP/DGI

Issue	No.	ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
	1.5	<b>CREATE ADVISORY COMMISSION ON THE QUALITY OF PUBLIC SPENDING</b>  (I) AGREE ON TERMS OF REFERENCE TO ESTABLISH THE COMMISSION (JUNE 2003) (II) PRESENT FINDINGS AND RECOMMENDATIONS FOR 2004 BUDGET (SEPT 2003) (III) REVIEW PUBLIC SPENDING (MARCH 2004)				Improve the efficiency and effectiveness of public spending programs implemented through: MINSA, MEC, MTI, INIFOM, IDR, and FISE	MHCP
Lack of coordination between debt issues for fiscal management and monetary management purposes.	1.6		MHCP AND CENTRAL BANK HAVE ESTABLISHED AN INTERNAL DEBT COORDINATION COMMISSION.	MHCP and Central Bank have agreed on a coordinated calendar of debt issues for 2005.	MHCP and Central Bank have complied with agreed calendar of debt issues for 2005.	Timing of debt issues for fiscal management and monetary management purposes is well coordinated, avoiding negative impact on financial sector.	MHCP/BCN
Need to improve regulation and functioning of pension system to ensure long term sustainability.	1.7		National Assembly has appointed a new Superintendent of Pensions. The organizational structure and staffing of the Superintendency of Pensions has been streamlined, respecting fiscal budget constraints.	Legal provisions to grant protection to staff of the Superintendency of Pensions equivalent to those of the Superintendency of Banks have been approved and published.		<b><i>Pension system has an independent regulatory authority.</i></b>	MHCP / INSS / Superintendency of

Issue	No.	ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
	1.8		The Economic Cabinet has approved a roadmap for pension reform, satisfactory to IDA.	In accordance with the roadmap for pension reform: (i) the Presidency has issued decrees, satisfactory to IDA, reforming decrees 57-2000 and 975, before AFPs start to operate, to partially reduce the fiscal impact of the pension reform, (ii) the Superintendencies of Banks and Pensions have agreed on a satisfactory information sharing system between them, and (iii) the Superintendencies of Banks and Pensions have designed a "Chinese Wall" system to prevent the use of inside information between AFPs and their parent companies in the banking system.	National Assembly has approved parametric changes to the social security legal framework, satisfactory to IDA, aimed at reducing the long-term fiscal deficit arising from the pension reform.	Reduced fiscal impact of pension reform	
Staff of the Superintendency of Banks and the Central Bank should have legal protection while in conduction of their official duties	1.9	(1) Submission of a draft law to the assembly (End-2003)  (2) Approval of a law by the assembly (May 2004)				<b>Strengthen the professionalization of the functions within the SIB and allow for an improved banks regulatory and supervisory system</b>	CBN/SIB

Issue	No.	ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
Current supervisory and bank regulatory system needs to be improved to guarantee financial sector stability	1.10	Approval of a new on-site technical and administrative procedures for banking supervision (End 2003)				<i>New on-site technical and administrative procedures for banking supervision in place, including the inspection manual and regulatory actions for noncompliance with norms in effect, in line with Basel Principles.</i>	CBN/SIB
	1.11	Approval of prudential norms to limit risks derived from maturity mismatches between assets and liabilities (Non-2003)					CBN
	1.12	Submission to the assembly of amendments to financial sector laws in line with Basel Core Principles for effective bank supervision and for changes in FOGADE (May 2004)					MHCP/CBN

Issue	No.	ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
Law of Transfer to Municipalities introduces fiscal vulnerability.	1.13	(1) Issue a presidential decree to modify the municipality law's regulations (Sept 2004)		A Presidential Decree has been issued modifying the regulations of the Law of Municipalities in a fiscally sustainable manner, by balancing, within the limitations imposed by law, municipal expenditures with resources transferred to municipalities, and the 2005 budget conforms with the approved decree.	<i>The 2005 budgetary execution conforms with the Decree which modifies the regulations to the Municipal Law.</i>	<i>The absorption by the general budget of the fiscal impact generated by the Fiscal Transfers Law reaches 39% of current expenditures and 33% of capital expenditures by 2005.</i>	MHCP
Norms governing municipal indebtedness provide insufficient safeguards for national public finances.	1.14	APPROVED BY THE ASSEMBLY A LAW ON DOMESTIC AND EXTERNAL PUBLIC ENDEBTNESS (END-2003)	National Assembly has approved the Public Debt Law, including provisions satisfactory to IDA to strengthen norms for municipal indebtedness.			<i>Total public debt as percentage of GDP decreases from 206% in 2002 to 114% in 2005.</i>	
							MHCP
<b>2. BUILDING PUBLIC INSTITUTIONS AND GOVERNANCE (Pillar IV of the PRSP)</b>							

ACTIONS AND PROGRESS BENCHMARKS							Lead Agenc
Issue	No.	IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003) *	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004) *	PRSC II (30 May 2005) *	Outcomes / Results	
<b>PRSC Objective: Improve quality of public sector employment and transparency and efficiency in public financial management and procurement.</b>				<b>Overall Outcome:</b> 1. Public employees incorporated into the administrative career as percentage of total public employees increase from 0% in 2002 to 15%-20 % in 2005. 2. Percentage of foreign resources channeled through CUT increases from 15% in 2003 to 100% in 2005.			
<b>Establishing a Civil Service</b>							
POLITIZATION OF PUBLIC EMPLOYMENT DECISIONS AND LACK OF AN HOMOGENEOUS SALARY STRUCTURE FOR PUBLIC SECTOR EMPLOYEES.	2.1	.	<b>National Assembly has approved a Civil Service Law satisfactory to IDA.</b>	Presidency has submitted to the National Assembly a 2005 budget reflecting partial implementation of the compensation policy established in the Civil Service Law, consistent with fiscal sustainability.	Between 5,000 and 7,000 public employees have been incorporated into the administrative career, following transparent procedures established in the Civil Service Law.	Between 15% and 20% of public sector employees have been hired on the basis of merit, have job stability and are subject to an equitable civil service pay structure.	MHCP
<b>Public Investment Program and Medium Term Expenditure Framework</b>							

Issue	No.	ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
EXISTENCE OF FOUR DIFFERENT AND INCONSISTENT REGISTRIES OF PUBLIC INVESTMENT IMPEDES GOOD PUBLIC INVESTMENT PLANNING.	2.2		The Presidency has issued a Presidential Decree, satisfactory to IDA, establishing a single, unified official registry of public investments, complementing the regulations of the National System of Public Investments.	<i><b>SECEP (SNIP) has implemented complementary regulations of the National System of Public Investment by incorporating all public investment projects/programs into the official registry of public investments, including those financed by grants.</b></i>		<i><b>100% of the foreign and domestic funded public investment is registered and monitored through a single centralized system, except autonomous entities which do not enter into the budget.</b></i>	SECEP
Lack of donor coordination.	2.3		SREC has established at least four "Mesas Sectoriales" to coordinate donor assistance under a sectoral approach.	<i><b>SECEP has initiated the monitoring of sectoral approach initiated in at least one sector.</b></i>	<i><b>SECEP has initiated the monitoring of the sectoral approach initiated in at least three sectors.</b></i>	<i><b>Three "Mesas Sectoriales" meet regularly to coordinate aid efforts.</b></i>	SREC/SECEP
Weak legislation with regard to responsibilities of public servants related to fiscal management.	2.4	(1) SUBMISSION TO THE ASSEMBLY OF THE LAW OF FISCAL RESPONSIBILITY (MARCH 2004)  (2) Approval by the assembly of the law of fiscal responsibility (December 2004)		National Assembly has approved a Fiscal Responsibility Law, satisfactory to IDA, including provisions for the establishment of a Medium Term Expenditure Framework.		<i><b>Net present value of total public debt as a share of exports has decreased from 693% in 2002 to 275% in 2005.</b></i>	MHCP



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		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
No calculation of recurrent costs reduces impact of public investment.	2.5		SECEP has initiated the routine calculation of the recurrent cost implications of the Public Investment Program, and MHCP has initiated plans to create a Medium Term Expenditure Framework (MTEF) on this basis.	Presidency has submitted to the National Assembly the 2005 budget along with medium term expenditure projections.	The execution of the 2005 budget up to the date of the disbursement request has been in line with the MTEF submitted to National Assembly.	<b>95% of new projects in the official registry of public investment are approved with the necessary provisions on incremental current expenditures in the medium term, ensuring their financial sustainability</b>	MHCP/SECEP
Public Sector Financial Management							
Lack of an agreed plan to improve public financial management improvement.	2.6		MHCP has submitted to IDA a Memorandum of Understanding (MOU) between the GON, IDA and the IDB, and a GON interagency accord, establishing actions satisfactory to IDA to implement recommendations of the CFAA.	<b>GON has implemented first phase of the agreed actions for improvement of public financial management.</b>	<b>GON has shown satisfactory progress in the implementation of second phase of the agreed actions for improvement of public financial management.</b>	<b>Improved efficiency and transparency in the use of public resources.</b>	MHCP (SIGFA)
Need to modernize norms governing public financial management.	2.7			<b>Presidency has submitted to the National Assembly a Financial Administration Law, satisfactory to IDA.</b>	National Assembly has approved a Financial Administration Law satisfactory to IDA.	<b>Improved legal framework for public financial management.</b>	MHCP (SIGFA)

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		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
LIMITED COVERAGE AND INADEQUATE PRESENTATION FORMAT OF THE NATIONAL BUDGET.	2.8			<i>MHCP identified and disclosed all public funds in the 2005 national budget document and initiated proper classification of capital and recurrent expenditures.</i>	<i>MHCP prepared satisfactory format and content guidelines for the 2006 national budget document, including identification of budgetary and extra-budgetary funds, breakdowns of current and capital transfers, institutional and functional classifications, and procedures for output monitoring and reporting.</i>	<i>100% of current expenditures classified as capital expenditures in 2002 are identified and classified adequately by 2005.</i>	MHCP (SIGFA)
LIMITED INSTITUTIONAL AND FUNCTIONAL COVERAGE OF THE GON INTEGRATED FINANCIAL MANAGEMENT SYSTEM (SIGFA) AND TREASURY SINGLE ACCOUNT (CUT).	2.9			<i>MHCP appraised and enhanced SIGFA's security systems and procedures, and prepared strategy for extending SIGFA/CUT coverage at individual transaction level to noncommercial autonomous and decentralized entities.</i>	<i>The Executive initiated SIGFA/CUT implementation at individual transaction level to INIFOM, IDR, FISE and ENACAL. MHCP implemented human resources and physical assets modules of SIGFA.</i>	<i>Extended coverage of the integrated financial management system from 31 public sector executing units in 2003, to 60 executing units in 2005.</i>	MHCP (SIGFA)
NATIONAL TREASURY CAN NOT MANAGE RESOURCE ALLOCATIONS STRATEGICALLY.	2.10		<i>All internal revenues and expenditures of the Central Government are channeled through the CUT. MHCP initiated introduction of externally funded revenues and expenditures in the CUT.</i>	<i>MHCP prepared detailed cash flow programs for budgetary releases, and agreed reconciliation procedures with the revenue administration agencies, the Central Bank and other depository banks.</i>	<i>All donor funds channeled through public sector entities are recorded in the CUT, in coordination with GON signatory agencies and donors.</i>	<i>Percentage of foreign resources channeled through CUT increases from 15% in 2003 to 100% in 2005.</i>	MHCP (SIGFA)

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		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
WEEK INTERNAL CONTROL AND INTERNAL AUDIT CAPACITY IN SPENDING ENTITIES.	2.11			<i>The Executive prepared and funded action plan to strengthen internal controls and internal audits in at least 10 major central government institutions, and initiated execution of GON-led expenditure tracking surveys.</i>	<i>Action plan to strengthen internal controls and internal audits is under implementation, and feedback from continued execution of expenditure tracking surveys is incorporated.</i>	Increase expenditure tracking from 0 institutions in 2002 to 10 institutions in 2005.	MHCP (SIGFA)
INADEQUATE GOVERNMENT FINANCIAL STATEMENTS.	2.12			<i>MHCP restructured government accounting function to focus on analysis and reporting, and prepared an "enhanced budget execution report" for 2003, including a cash balance reconciliation, historical revenue/expenditure trends, and level of payment arrears.</i>	<i>MHCP presented enhanced budget execution report for 2004 with the same detail as the budget document. The Executive has enforced audits and publication of financial statements of public sector decentralized and autonomous entities and state enterprises as of December 31, 2003.</i>	<i>Level of payment arrears has been reduced from 100 million córdobas in 2002 to 60 million in 2005.</i>  <i>The execution of domestic and external resources is registered more accurately through a closer supervision of Central Government institutions</i>	MHCP (SIGFA)
Public Sector Procurement							

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		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
LACK OF ACCESSIBILITY TO INFORMATION ON PUBLIC PROCUREMENT.	2.13		MHCP has made government contracting information (e-disclosure) available on the internet.		<i>MHCP has integrated into SIGFA government contracting information (e-disclosure) and government purchases module (e-purchase).</i>	<i>Easily available information on public procurement increases transparency and lowers costs to public sector through increased competition.</i>	MHCP
PROCUREMENT LAW 323 AND ITS REGULATIONS NEED TO BE IMPROVED IN LINE WITH INTERNATIONAL PRACTICES.	2.14			Presidency has submitted to the National Assembly amendments to Law 323, satisfactory to IDA, incorporating CPAR recommendations.	<i>National Assembly has approved amendments to Law 323, satisfactory to IDA, incorporating CPAR recommendations and the Presidency has issued its corresponding regulations.</i>	<i>Improved procurement law and regulations fosters increased efficiency and transparency in procurement public transactions.</i>	MHCP / OEP
PUBLIC SECTOR BIDDING IS COSTLY AND COMPLICATED.	2.15			<i>MHCP has approved standard bidding documents, and they are being used by all central government agencies, 12 municipalities and 8 autonomous agencies.</i>	<i>Standard bidding documents are being used in 30 additional municipalities and other branches of government have started to use them.</i>	<i>Decrease in time of public purchases.</i>	MHCP
UNCERTAINTIES REGARDING OEP COMPETENCIES LEAD TO POTENTIAL DUPLICATIONS WITH OTHER AGENCIES.	2.16			Presidency has approved an Executive Decree establishing competencies of OEP.			Presidency / OEP

ACTIONS AND PROGRESS BENCHMARKS							Lead Agency
Issue	No.	IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003) *	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004) *	PRSC II (30 May 2005) *	Outcomes / Results	
Civic Engagement and Transparency							
Difficulties in accessing information do not allow for proper monitoring of public actions.	2.17			National Assembly has approved a Law on Access to Information, satisfactory to IDA.	Law on Access to Information has been implemented.	Citizens access to public administration increases transparency in public management.	SECEP/SIGFA-MHCP
Lack of systematic information on poverty indicators.	2.18		SECEP has submitted to IDA a satisfactory proposal for the establishment of a System of Monitoring and Evaluation of PRSP/NDP/MDG/PRSC targets and goals, including criteria for targeting and prioritizing.	System of Monitoring and Evaluation of PRSP/NDP/MDG/PRSC targets and goals has been implemented at the national level.	System of Monitoring and Evaluation of PRSP/NDP/MDG/PRSC targets and goals is implemented at the departmental level in at least 5 departments.	Government, civil society and donors have necessary information to systematically evaluate impact of poverty reduction efforts.	SECEP
Poverty Analysis							

ACTIONS AND PROGRESS BENCHMARKS							
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Information on fiscal and poverty reducing expenditures are difficult to interpret and untimely.	2.19		MHCP has established a satisfactory system for monitoring poverty reducing and total public expenditures, based on the information provided by SIGFA, the FSS, the criteria for poverty reducing expenditure agreed by the budget advisory group and the implementation of the Treasury's Single Account. The format for the 2004 budget has allowed for clear referencing of poverty expenditures to HIPC debt relief, in accordance with FSS regulations.	<b><i>SECEP has submitted to IDA the 2003 PRSP progress report, including an analysis of public expenditure in general and poverty reducing expenditures and progress towards achieving the PRSP/MDG/PRSC targets. At least 3 quarterly tables in agreed format, showing total public expenditure and poverty reduction expenditures, have been submitted to IDA.</i></b>	<b><i>SECEP has submitted to IDA the 2004 PRSP progress report, including an analysis of public expenditure in general and poverty reducing expenditures and progress towards achieving the PRSP/MDG/PRSC targets. At least 5 quarterly tables in agreed format, showing total public expenditure and poverty reduction expenditures, have been submitted to IDA.</i></b>	<b><i>Increased ownership and better timeliness of Public Expenditure Reviews. Clear and opportune information on poverty expenditures.</i></b>	MHCP / SECEP
Policies are adopted without prior analysis of their potential impact on the poor.	2.20		SECEP has completed Poverty and Social Impact Analysis of tax reform and of education reform.	SECEP has completed Poverty and Social Impact Analysis of public investment program and incorporated the findings of all previous PSIA's into PRSP actions, through the 2003 PRSP Progress Report, preserving fiscal consistency with the macroeconomic framework.		<b><i>Policies are adopted following analysis of their impact on the poor and appropriate actions are incorporated in the PRSP.</i></b>	
Decentralization							

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		IMF PRGF PROGRAM	PRSC I 1 <sup>st</sup> Tranche (30 Nov. 2003)*	PRSC I 2 <sup>nd</sup> Tranche (Dec. 2004)*	PRSC II (30 May 2005)*	Outcomes / Results	
INIFOM and FISE have similar mandates and duplicate activities.	2.21	Establish a legal framework that redefines the responsibilities of the FISE and INIFOM (Sept 2004)	Government has submitted to IDA a formal agreement between INIFOM and FISE defining the responsibilities of each institution, in relation to their support to municipalities and their level of decentralization.	<i>A legal norm has been approved making the formal agreement legally binding and is reflected in the 2005 budget. Decentralization benchmarks corresponding to the first semester of 2004 have been achieved.</i>	<i>Budgetary execution reflects the new legal norm. Decentralization benchmarks corresponding to 2005 have been achieved.</i>	<i>INIFOM and FISE activities are complementary.</i>	FISE / INIFOM
	2.22		Fiscal Transfers Commission has defined the procedures for the fiscal year closure of municipal budgets.				MHCP / INIFOM
Legal provisions for participatory planning of municipal investments are not always applied.	2.23			Presidency has approved regulations to the Municipal Law establishing a methodology for participatory municipal investment planning, satisfactory to IDA and KfW.		<i>At least 50% of all municipalities apply legal provisions for participatory planning of municipal investments in a consistent manner.</i>	FISE / INIFOM

		ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
Issue	No.	IMF PRGF PROGRAM	PRSC I  1st Tranche  (30 Nov. 2003)*	PRSC I  2nd Tranche (Dec. 2004) *	PRSC II  (30 May 2005) *	Outcomes / Results	
3. BROAD –BASED GROWTH (Pillar I of the PRSP)							
PRSC Objective: Promote inclusive economic growth				Overall Outcome:  1. Firm registration time has decreased from 28 days for basic procedures in 2003 to 17 days in 2005.  2. Index of non traditional export has increased from 100 in 2002 to 107.6 in 2005 3. Value of foreign private investment has increased from US\$204 million in 2002 to US\$237 million in 2005			
Supportive Environment for Investment and Growth							
NEED TO DETERMINE AND AGREE ON TOP PRIORITIES IN REFORM OF THE INVESTMENT CLIMATE.	3.1		The Presidential Competitiveness Commission has started meeting regularly.	Program for the reduction of administrative barriers with a time-bound action plan has been agreed with private sector and IDA and is functioning.		Value of foreign private investment has increased from US\$204 million in 2002 to US\$237 million in 2005	MIFIC and CPC
	3.2		The investment promotion agency, Pro-Nicaragua has begun to function.	CEI has been reorganized and transformed into an export promotion agency.			



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	3.3			Government has submitted to IDA a Letter of Intent for the development of the investment climate, including a time-bound action plan based on the recommendations of the Investment Climate Assessment.	Actions as agreed in Letter of Intent initiated.		
Lack of competition law and agency to enforce it reduces entry and competition in numerous markets thus raising prices and often lowering quality for consumers.	3.4			<i>Presidency has submitted to the National Assembly a Competition Law satisfactory to IDA, including the creation of an independent agency to enforce rules on competition, consumer protection, administrative simplification, property rights and quality controls.</i>	<i>Regulations of the Competition Law, satisfactory to IDA, have been approved. The Competition Agency has been fully staffed and is functioning.</i>	The agency has initiated 5 industry or firm specific investigations on competition matters and has investigated and ruled on 5 cases of consumer complaints before 2006.	
Need to modernize training system and ensure a well trained, employable workforce.	3.5		GON has submitted to IDA the terms of reference for the diagnostic of INATEC.	<i>GON has designed a reform program for INATEC in agreement with IDA.</i>	<i>GON has completed the agreed reforms of INATEC up to the date of the disbursement request.</i>	Training funds from INATEC to privately provided, demand driven training activities has increased from 50% in 2002, to 75% in 2005	INATEC

		ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
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<b>Broader Access to Land and Credit</b>							
LACK OF TITLING AND DEMARCATION OF LAND INHIBITS USE, INVESTMENT AND FUNCTIONING OF THE LAND MARKET.	3.6		CONADETI HAS DEFINED THE CRITERIA AND PROCEDURES FOR LAND DEMARCATION AND TITLING, INCLUDING CHARACTERIZATION AND CERTIFICATION OF INDIGENOUS COMMUNITIES ON THE BASIS OF COMPLETED SOCIO-ECONOMIC STUDIES.	CONADETI has completed demarcation, the Intendencia de la Propiedad has titled and the Supreme Court has registered at least 5 indigenous territories in the Bosawas region.	<b>CONADETI has completed demarcation, the Intendencia de la Propiedad has titled and the Supreme Court has registered at least 3 additional indigenous territories in the Atlantic Coast and Bosawas region.</b>	8 indigenous territories and 26,000 indigenous people have completely recognized land rights (demarcated, titled and registered) without pending disputes.	MHCP
Lack of speedy, accurate registries and cadastres increases uncertainty of property rights and induces inefficiencies in the land market.	3.7			National Assembly has approved and the Presidency has issued regulations of the Law of Public Registries, satisfactory to IDA.	The new institutional framework for registries, including the link with cadastre, has been implemented through the establishment of the National Directorate of Public Registries and the initiation of operations of the SIICAR.	Time estimated time for registry and cadastre services has been reduced from 90 days in 2003 to 45 in 2005.	MHCP

		ACTIONS AND PROGRESS BENCHMARKS					Lead Agency
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	3.8		The Presidency has submitted to the National Assembly a draft Cadastre law that renders the cadastre and real estate registry data compatible.	National Assembly has approved the National Cadastre Law satisfactory to IDA.	Regulations of the Cadastre Law have been issued.		
Need to strengthen supervision of financial sector institutions.	3.9			Ministerio de Hacienda, SIBOIF y BCN have submitted to IDA a Letter of Intent describing proposals to reform the Borrower's financial system, including a time bound action plan for the carrying out of such reform.		<b>Net credit to the private sector increases from minus US\$114 million in 2002 to plus US\$27 million in 2005.</b>	Bnco Central/SHCP

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Need to ensure prudential regulations for micro-credit institutions.	3.1 0			SECEP has submitted to IDA a proposal for a legal and regulatory framework for micro-credit and micro-finance institutions, including institutional responsibilities for their supervision. Superintendent of Banks has initiated implementation of plan to improve credit registry.		Increase the number of points of micro-finance services by supervised and non supervised financial institutions by 10% from 208 in 2003 to 228 in 2005.	SECEP
<b><i>Increase Productivity of Agriculture and Forestry</i></b>							

ACTIONS AND PROGRESS BENCHMARKS							Lead Agency
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COHERENT STRATEGY THAT ENCOURAGES SIGNIFICANT INVESTMENT AND FOCUSES ON HIGH-VALUE ADDED PRODUCTS FOR INTERNATIONAL MARKETS DOES NOT EXIST.	3.1 1		Production Cabinet has approved a sector policy and strategy for the productive rural sector (forestry, agriculture, and technology) including the necessary legal and institutional changes for its coordination (MAGFOR, IDR, FCR, INTA, and INAFOR) and presented it to the "Mesa Sectorial".	The legal and institutional changes for the coordination of the rural productive strategy have been implemented, and the resources for the strategy's implementation have been identified.	<b>Satisfactory execution of the plan according to agreed milestones and indicators.</b>		
	3.1 2		Regulations of the Forestry Law satisfactory to IDA, have been issued.	Two decentralized forestry districts are operating: Nueva Segovia and RAAN.	Three additional forestry districts are operating (Areas to be determined).		MAGFOR

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Access and Quality of Infrastructure							
Low levels of rural access to electricity reduce the ability of the rural poor to improve products and production and storage techniques.	3.1 3		The 2004 budget includes an allocation of at least US\$5 million for rural electrification.	<i>The 2005 budget includes an allocation of at least US\$7 million for rural electrification.</i>	<i>The 2006 budget includes an allocation of at least US\$8 million for rural electrification.</i>	Supply of electricity to rural households increases from 53.9% in 2003 to 58.8% in 2005	CNE
	3.1 4			<i>CNE has restructured the rural electrification fund (FODIEN), in consultation with MHCP.</i>			CNE

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Poor access to information inhibits poor (especially rural) farmers from having pricing information and marketing crops.	<b>3.1 5</b>		Presidency has issued a decree creating the telecommunications investment fund (FITEL).	The first bidding process to assign the investment fund (FITEL) has been published.	TELCOR has prepared an official document containing sector policies and guidelines for opening the telecommunications market.	<b>50% of all villages with 1000+ inhabitants will have access to telecommunications services through at least one public telephone.</b>	<b>MHCP</b>
	<b>3.1 6</b>	The Government has divested 51 percent of ENITEL shares by mid-January 2004.	Sale of 49% of the Nicaraguan Government's shares of Enitel (URETEL) has been initiated.	Sale of 49% of Enitel's (URETEL) shares concluded.			<b>URETEL</b>

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Poor maintenance of roads increases transport costs and thereby reduces income of rural farmers.	<b>3.1 7</b>		Government has submitted to the National Assembly an amendment to the law that created FOMAV, satisfactory to IDA.	National Assembly approved an amendment to the law that ensures financing FOMAV satisfactory to IDA.	FOMAV has started to receive the resources established by the amendment to the law and has contracted road maintenance activities for 1200 KM of roads with microenterprises and private contractors.	<b><i>FOMAV has contracts for road maintenance of 1200 kms of roads, helping to lower shipping costs, creating temporary employment opportunities.</i></b>	<b>MTI</b>